

Message Text

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ACTION NEA-11

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TO SECSTATE WASHDC PRIORITY 2026

C O N F I D E N T I A L JIDDA 3594

FOR AMBASSADOR WEST - NEA/ARP

E.O. 11652: GDS
TAGS: MILI, SA
SUBJECT: SNEP O&M PROGRAM

1. GS-16 W.G. RAE, COUNSEL, NAVY SUPSYSCMD, VISITED EMBASSY ON MAY 11 AND REPORTED TO COLONEL HAYES AND MSSRS. DANIELS AND BOVIS ON HIS TALKS WITH CAPTAIN SAJA OF SAUDI NAVY ON PRECEDING DAYS ON SUBJECT OF SNEP O&M PROGRAM. (SAUDI NAVAL EXPANSION PROGRAM, OPERATIONS AND MAINTENANCE).

2. RAE STATED THAT HE HAD PROPOSED TO RSNF A HORIZONTAL SPLIT OF O&M FUNCTIONS UNDER WHICH THE USG WOULD UNDER FMS MANAGE THE O&M PROGRAM TO INCLUDE HIGH SKILLED AND SECURITY FUNCTIONS. LOW SKILLED LABOR WOULD BE PROVIDED BY DIRECT CONTRACT WITH THE SAG. RAE FELT THIS ARRANGEMENT WAS BEST IN THAT IT ACCOMMODATED CRITICS IN BOTH DSAA AND STATE WHO PREFERRED THE COSMETICS OF LOWERING THE FMS DOLLARS ASSOCIATED WITH SNEP.

3. THE SAG, HOWEVER, TO RAE'S SURPRISE WAS NOT HAPPY WITH THE ARRANGEMENT AND HE INDICATED THAT CAPT. SAJA STATED THAT UNLESS O&M WAS HANDLED COMPLETELY UNDER FMS, THE RSNF WOULD PUT THE CONTRACT OUT FOR "INTRNATIONAL TENDER". INTERNATIONAL TENDER, RAE LEARNED, MEANTH THE SAUDIS WOULD
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TURN OVER WHATEVER THE U.S. WOULD NOT DO TO THE BRITISH, FRENCH OR ANOTHER NAVY.

4. WE ASKED RAE AS TO WHY THE SAUDIS COULD NOT PROVIDE A DIRECT CONTRACT FOR THE LOW SKILLED LABOR, SINCE ALL O&M FUNDS WOULD FLOW FROM SAMA THROUGH MODA, RAE EXPLAINED THAT UNLESS THE MONEY FLOWS FROM SAG INTO AN FMS CASE,

SAMA SETS UP SUCH BUREAUCRATIC PROCEDURES FOR THE FLOW THROUGH MODA TO RSNF THAT THE RSNF WOULD BE UNABLE TO COMPLY WITH THE REGULATIONS DUE TO LACK OF EXPERIENCED MANAGERIAL PERSONNEL. COMMENT: IT APPEARED TO US THAT THERE IS REALLY NO DIFFERENCE IN SAMA REGULATIONS FOR FMS AND DIRECT HIRE--THE SAME CHECKS AND BALANCES ARE PRESENT. IT WOULD SEEM THAT THE RSNF SIMPLY CANNOT MANAGE A CONTRACT AT THIS POINT.

5. DANIELS COMMENTED THAT IT WOULD HAVE BEEN USEFUL IF THE EMBASSY HAD KNOWN OF THE PROBLEM EARLIER. SUCH ELEVENTH HOUR ANNOUNCEMENTS DO NOT ALLOW FOR APPROPRIATE EMBASSY CONTACT WITH SAG OFFICIALS AND WITH STATE. RAE REGRETTED HE HAD NOT BEEN AWARE OF THE PROBLEM UNTIL THE ELEVENTH HOUR.

6. RAE ADDED THAT THE USN NOW PROPOSES, WITH RSNF CONCURRENCE, A THREE PHASE PROGRAM AS FOLLOWS:
PHASE I: USN WILL MANAGE O&M UNDER FULL FMS. DURING THIS PERIOD, ESTIMATED AT 5-7 YEARS, RSNF WILL DEVELOP SKILLS FOR O&M MANAGEMENT.
PHASE II: THIS PHASE WOULD ENTAIL A SPLIT ARRANGEMENT WITH THE USN MANAGING TOP LEVEL SKILLS UNDER FMS AND THE RSNF MANAGING LOWER SKILLS UNDER DIRECT CONTRACT. RSNF, IT IS ASSUMED, WILL DEVELOP REQUISITE MANAGERIAL PERSONNEL TO COMPLY WITH SAMA REGULATIONS DURING
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ING PHASE I. PHASE II WAS ALSO ESTIMATED AT 5-7 YEARS.
PHASE III: RSNF ACCEPTS FULL CONTRACT RESPONSIBILITY FOR O&M.

7. DANIELS ASKED IF THE STRONG POSITION, AGAINST DIRECT CONTRACT WAS SIMPLY CAPT. SAJA'S POSITION OR WAS IT THAT OF THE SAG. RAE REPLIED THAT PRINCE SULTAN HAD BEEN EQUALLY FORCEFUL ON THE ISSUE. COMMENT: WHILE IT WAS IMPLIED THAT RAE HAD DIRECT CONTACT WITH PRINCE SULTAN, WE CANNOT FIND ANY DIRECT REFERENCE IN NOTES TO A MEETING BETWEEN RAE AND PRINCE SULTAN. A COAL TO GENERAL CATHEY ON MAY 13 REVEALED THAT RAE HAD NOT SEEN PRINCE SULTAN. IT IS THEREFORE POSSIBLE THAT RAE WAS REPEATING INFORMATION PROVIDED BY USMTM PERSONNEL.

8. RAE ADDED THAT THE USN WAS NOW IN A BIND FOR TIME, SINCE THE PROPOSAL WOULD GO TO DSAA ON 17 MAY, TO STATE ON JUNE 1 AND TO CONGRESS ON JUNE 30. RAE CONCLUDED THAT BY JULY 15 THE USN HOPED TO SELECT THREE CONTRACTORS AND TO CONDUCT A SITE VISIT AT THE END OF JULY. THE LOA WOULD BE ISSUED IN OCTOBER, AND THE CONTRACT PROPOSALS WOULD BE DUE BY MID-NOVEMBER. THE CONTRACT WOULD BE AWAR-

DED IN MID-FEBURARY. AT DANIELS' REQUEST, RAE AGREED TO PROVIDE A COPY OF THE LOA AND PROCUREMENT SCHEDULES TO BOVIS.

9. WE URGED RAE TO CONTACT YOU WHEN HE GETS BACK SO THAT YOU CAN TAKE WHATEVER YOU DEEM NECESSARY TO HELP WITH PROJECT BEFORE YOU LEAVE WASHINGTON. HE SAID THAT HE WOULD ASK UNSECNAV WOOLSEY TO BRIEF YOU.
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